



Agenda Date: August 19, 2009
Agenda Item: 21

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

ENERGY DIVISION

IN THE MATTER OF THE PROVISION OF BASIC)
GENERATION SERVICE FOR THE PERIOD BEGINNING)
JUNE 1, 2009 – JCP&L TIERED RATE STRUCTURE)

ORDER

DOCKET NO. ER08050310

(SERVICE LIST ATTACHED)

BY THE BOARD:

At its June 8, 2009 meeting, the Board suspended a tiered rate structure pilot program for Jersey Central Power & Light Company ("JCP&L") that it had approved on January 20, 2009 as part of JCP&L's annual Basic Generation Service filing in Docket No. ER08050310. The program sought to reduce peak demand by imposing surcharges on certain residential and commercial customers who exceeded pre-determined usage levels between June 1, 2009 and September 30, 2009. In ordering the suspension, the Board cited several factors, including the program's potentially negative impact on small seasonal businesses and agriculture; the current state of the economy; and the lack of time that residential customers had to pursue alternatives to the surcharge. In its Order dated June 25, 2009, the Board directed JCP&L to file by July 15, 2009, "a revised tiered rate structure proposal for potential implementation by June 1, 2010." (Id. at 3.)

Staff held several meetings and telephone conferences with JCP&L to ensure that the "unintended consequences" noted by the Board in its June 25, 2009 Order would be addressed in the new filing. However, the technical issues that needed to be resolved caused the process to take longer than anticipated. It became apparent that JCP&L would be unable to meet the July 15, 2009 filing deadline.

On July 6, 2009, JCP&L filed a petition requesting a 30-day extension of the filing deadline to August 14, 2009. Staff had agreed that additional time would be necessary and, in fact, recommended that the Board grant JCP&L's request for a 30-day extension with a further extension to the next scheduled Board meeting on August 19, 2009. The Board voted to approve Staff's recommendation on an "as within time" basis at its July 29, 2009 agenda meeting, and issued an Order on July 31, 2009 memorializing that decision.

As Staff and JCP&L continued their discussions, questions arose as to whether the amount of peak load reduction this program was designed to achieve, 2 megawatts in the original version and somewhat less in the revised version due to proposed exemptions, would be outweighed by the potential economic burden the summer surcharge might have on those customers who do not bring their usage below the prescribed threshold.

Additionally, Staff and JCP&L identified several issues that were previously not fully considered, but which pose serious obstacles to the successful implementation of a tiered rate program at this time. The two most critical issues were:

- **Equal Payment Billing:** More than 20,000 of the residential customers expected to be subject to the surcharge are on JCP&L's Equal Payment Plan. Thus, surcharges would either have to be rolled into the annual budget calculation (effectively negating the impact of an immediate pricing signal) or the Board would have to amend its regulations on budget billing to allow for surcharges to be placed on top of equal monthly payments.
- **Estimated Bills:** If one or more meter readings were estimated prior to the summer surcharge period and an actual reading was made during the period, it would be difficult to determine when any "surchargeable" usage occurred. Conversely, customers with estimated meter readings during the June-September period that are not trued-up until after the period ends could not be judged to have exceeded the threshold during the summer season and no appropriate price signals given during the relevant period.

While neither of these issues is insurmountable, they nevertheless pose challenges to the administration of a tiered rate program that could add to its cost, reduce its effectiveness and complicate its implementation.

On August 14, 2009, JCP&L filed a letter with the Board requesting a further extension of the deadline for filing a tiered rate structure proposal to allow for continued discussions with Staff. In addition to the technical issues noted above, JCP&L noted that it has proposals for several other potentially more significant demand response programs pending, including:

- The proposed expansion of its Integrated Distributed Energy Resource ("IDER") program – which was approved by the Board at its August 19, 2009 agenda meeting – by 15 megawatts.
- An application for federal stimulus funds which, if approved, would be used to expand the IDER program by an additional 15 megawatts.
- Proposals for permanent peak load shifting and energy storage made in the Board's proceeding on EDC-sponsored demand response programs (Docket No. EO08050326).

In addition, JCP&L noted that the current economic climate has had the effect of depressing its peak demand, and is one of the primary reasons cited by PJM Interconnection LLC ("PJM") in reducing its summer 2010 load forecast for JCP&L by 270 megawatts.

In view of the foregoing, the Board HEREBY ORDERS that: JCP&L be relieved of its obligation to file a proposal for a tiered rate structure at this time, as directed in the Board Orders of June 25, 2009 and July 31, 2009.

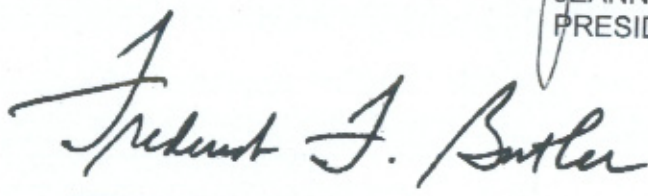
Additionally, the Board HEREBY DIRECTS JCP&L and Staff continue their discussions on the most effective ways to reduce peak demand through tariff design, and FURTHER DIRECTS JCP&L to file a report by the end of calendar year 2009 providing updates on its demand response programs and any other efforts to reduce peak demand.

Lastly, the Board HEREBY DIRECTS that Staff employs the necessary resources to identify successful tiered rate structure programs in other states and determine the feasibility of adopting those programs in New Jersey.

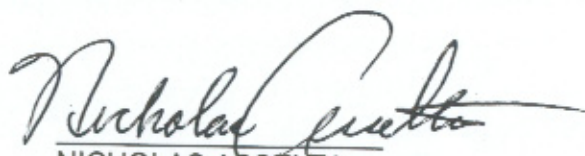
DATED: 9/14/09

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

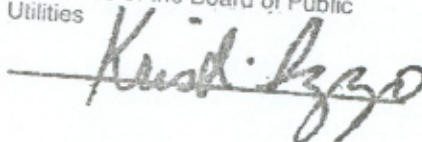

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST
IN THE MATTER OF THE PROVISION OF BASIC GENERATION SERVICE FOR THE PERIOD
BEGINNING JUNE 1, 2009 -- JCP&L TIERED RATE STRUCTURE
DOCKET No. ER08050310

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